

Message Text

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ACTION ARA-14

INFO OCT-01 ISO-00 CIAE-00 DODE-00 PM-05 H-02 INR-07
L-03 NSAE-00 NSC-05 PA-02 PRS-01 SP-02 SS-15
AID-05 COME-00 EB-07 FRB-01 TRSE-00 XMB-04
OPIC-06 LAB-04 EPG-02 SIL-01 OMB-01 STR-04 CEA-01
AGRE-00 OES-07 HEW-06 USIE-00 INRE-00 NSCE-00
SSO-00 FEA-01 INT-05 ACDA-10 /122 W
-----106806 182358Z /63

O 192240Z JUL 77

FM AMEMBASSY SAN SALVADOR
TO SECSTATE WASHDC NIACT IMMEDIATE 4906

UNCLAS SECTION 1 OF 2 SAN SALVADOR 3338

E.O. 11652: N/A

TAGS: ECON, EAGR, EAID, ETRD, EIND, ES

SUBJECT: EL SALVADOR: SOCIO-ECONOMIC PROFILE

REF: WINSTANLEY/HICKS TELCON 7/13/77

1. FOLLOWING INFORMATION DESIGNED FOR DEPARTMENT USE IN
UPCOMING FRASER SUBCOMMITTEE HEARINGS ON EL SALVADOR:

2. POPULATION (MID 1975)

TOTAL 4.0 MILLION

RURAL (PERCENT) 60

URBAN (PERCENT) 40

PERCENT UNDER 14 55

BIRTH RATE PER THOUSAND 40

DEATH RATE PER THOUSAND 8.0

GROWTH RATE PER YEAR 3.0

AVERAGE NET EMIGRATION, 1970-76 10,000 OR ABOUT 0.2

PERCENT OF POPULATION

UNDER MOLINA ADMINISTRATION GOES DEVELOPED AND BEGAN IMPLE-
MENTATION OF RELATIVELY EFFECTIVE POPULATION POLICY CONSISTING
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PRIMARILY OF MAKING FAMILY PLANNING INFORMATION AND
SERVICES AVAILABLE TO PUBLIC. USAID HAS ASSISTED BY
PROVIDING INFORMATION, TRAINING AND EQUIPMENT TO SUPPORT
GOES PROGRAM.

3. INCOME 1975)

PER CAPITA (\$US, CURRENT PRICES) \$74

PER CAPITA (1971 PRICES) \$268

SYSTEMATIC COUNTRYWIDE DATA ON INCOME DISTRIBUTION IS NOT AVAILABLE ALTHOUGH INCOME DISTRIBUTION IS KNOWN TO BE WIDELY SKEWED. A 1974 SURVEY OF FAMILY INCOME IN THE SAN SALVADOR METROPOLITAN ZONE SHOWS THAT THE TOP 10 PERCENT OF THE POPULATION RECEIVED NEARLY 51 PERCENT OF THE INCOME. THE AVERAGE WEEKLY INCOME IN THE METROPOLITAN AREA WAS \$62.78 PER WEEK. THIS AVERAGE FIGURE IS PUSHED UP CONSIDERABLY BY VERY HIGH INCOMES OF MINORITY. INCOME IN RURAL AREAS IS SIGNIFICANTLY LOWER THAN IN URBAN AREAS.

MINIMUM WAGES (DOLLARS PER DAY)

INDUSTRIAL WORKERS, SAN SALVADOR 2.48

AGRICULTURAL WORKERS 1.50

HARVEST WORKERS

COFFEE 3.36

COTTON 2.40

SUGAR 2.20

UNEMPLOYMENT (1976 EST.) 17.6 PERCENT

UNDEREMPLOYMENT (1971 SURVEY) 28.3 PERCENT

(ADDITIONAL TO UNEMPLOYMENT)

EDUCATION

ILLITERACY RATE OF POPULATION OVER 10 38 PERCENT

ILLITERACY RATE OF POPULATION OVER 10, RURAL 53 PERCENT

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ILLITERACY RATE OF POPULATION OVER 10, URBAN 18 PERCENT

RURAL RESIDENTS COMPLETING 4-6 GRADES PRIMARY SCHOOL 12 PERCENT

URBAN RESIDENTS COMPLETING 4-6 GRADES PRIMARY SCHOOL - 44 PERCENT

IN 1973, ONLY 32 PERCENT OF RURAL SCHOOLS OFFERED ALL SIX YEARS OF PRIMARY EDUCATION. FIGURES FOR NATION AS A WHOLE AND URBAN AREAS WERE 52 PERCENT AND 93 PERCENT RESPECTIVELY.

4. AGRICULTURAL SECTOR

PRINCIPAL CROPS ARE COFFEE, COTTON, SUGAR, CORN, BEANS, SORGHUM AND RICE. LAND TENURE IS HIGHLY SKEWED WITH 4 PERCENT OF FARMS REPRESENTING 60 PERCENT OF LAND. AT OTHER END OF SCALE, 70 PERCENT OF FARMS CONTAIN LESS THAN 11 PERCENT OF LAND. THESE FIGURES DO NOT INDICATE FULL SERIOUSNESS OF FARM OWNERSHIP SITUATION SINCE 60 PERCENT OF FARMS ARE OPERATED UNDER RENTAL OR LEASE ARRANGEMENT. ACCORDINGLY, LAND OWNERSHIP IS EVEN MORE SKEWED. GOES OFFICIALS HAVE RECOGNIZED THAT LAND TENURE PATTERNS ARE A SERIOUS SOCIAL AND ECONOMIC PROBLEM BUT LAND REFORM PROGRAM PRESENTED IN 1976 MET VIGOROUS PRIVATE SECTOR OPPOSITION, RECEIVED NO SIGNIFICANT SUPPORT, AND WAS GUTTED BY AGREEMENT BETWEEN GOVERNMENT AND PRIVATE SECTOR.

PRESIDENT ROMERO'S APPROACH TO LAND REFORM IS NOT YET KNOWN. MISSION IS NOT CONVINCED THAT LAND REFORM SCHEME INVOLVING FORCED BREAKUP AND REDISTRIBUTION OF AGRICULTURAL LAND IS ANSWER TO EL SALVADOR'S PROBLEM.

GOES AGRICULTURAL POLICY UNDER MOLINA ADMINISTRATION HAS BEEN AIMED PRIMARILY AT ATTAINING SELF-SUFFICIENCY IN BASIC GRAINS PRODUCTION THROUGH RESEARCH AND EXTENSION ASSISTANCE TO SMALL FARMERS AND A PRICE POLICY OPERATED THROUGH THE GOES "INSTITUTO REGULADOR DE ABASTECIMIENTOS". THIS WILL PROBABLY CONTINUE TO BE BASIC THRUST OF POLICY UNDER ROMERO. MISSION BELIEVES THIS POLICY WILL NOT SIGNIFICANTLY INCREASE WELFARE OF SMALL FARMERS AND BELIEVES CONCENTRATION SHOULD BE ON HIGH VALUE EXPORT CROPS WITH BASIC GRAINS SHORTFALLS MET THROUGH IMPORTATION.

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5. INDUSTRIAL SECTOR

MANUFACTURING CURRENTLY ACCOUNTS FOR ABOUT 20 PERCENT OF GDP. THIS PERCENTAGE HAS BEEN STABLE THROUGH FIRST HALF OF 70'S AFTER PERIOD OF RAPID GROWTH DURING 60'S AS RESULT OF OPENING OF CENTRAL AMERICAN COMMON MARKET. FOOD PROCESSING AND TOBACCO ACCOUNTED FOR 40 PERCENT OF SECTOR VALUE ADDED, TEXTILES, SHOES AND CLOTHING 20 PERCENT AND PRODUCERS OF INTERMEDIATE AND CAPITAL GOODS 25 PERCENT. INDUSTRIAL SECTOR CHARACTERIZED BY LOW UTILIZATION OF CAPACITY. ABOUT ONE-THIRD OF EXPORTS NOW ACCOUNTED FOR BY MANUFACTURES OR SEMI-MANUFACTURES. SIGNIFICANT DEVELOPMENT IN RECENT YEARS HAS BEEN GROWTH OF OFF-SHORE ASSEMBLY OPERATIONS, OFTEN BY DIRECT INVESTMENT OF US FIRMS, AIMED AT US MARKET. EXPORTS OF SUCH FIRMS TO US IN 1976, PRIMARILY OF GARMENTS AND ELECTRONIC EQUIPMENT, AMOUNTED TO \$54 MILLION, OR ABOUT 40 PERCENT OF EL SALVADOR'S NON-TRADITIONAL EXPORT TO US MARKET.

6. TRADE

TRADITIONAL EXPORTS (COFFEE, COTTON AND SUGAR) ACCOUNTED FOR AN AVERAGE OF ABOUT 60 PERCENT OF VALUE OF EL SALVADOR'S EXPORTS DURING THE PERIOD 1970-1975. SURPLUS ON BALANCE OF TRADE OF \$9 MILLION REGISTERED IN 1976 AND ONE OF POSSIBLE \$300 MILLION EXPECTED IN 1977, PRIMARILY DUE TO RECORD PRICES FOR COFFEE.

7. US-SALVADORAN ECONOMIC RELATIONS.

IN 1976 EL SALVADOR HAD A \$33.5 MILLION SURPLUS IN ITS TRADE WITH THE US. SHIPMENTS FROM THE US USUALLY ACCOUNT FOR ABOUT 30 PERCENT OF EL SALVADOR'S IMPORTS. CURRENT EX-IM EXPOSURE IS \$ MILLION IN LOANS AND \$9.5 MILLION IN GUARANTEES.

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FM AMEMBASSY SAN SALVADOR

TO SECSTATE WASHDC NIACT IMMEDIATE 4907

UNCLAS SECTION 2 OF 2 SAN SALVADOR 3338

LARGEST RECENT EX-IM LOAN IS \$6 MILLION FOR
BADLY NEEDED CAPACITY EXPANSION OF PRIVATE SECTOR CEMENT
PLANT. BOOK VALUE OF US DIRECT INVESTMENT IN EL SALVADOR
EXTIMATED AT \$110 MILLION. US INVESTMENT DOMINATES IN
TWO SECTORS, ELECTRONIC PRODUCTS AND PETROLEUM REFINING
AND DISTRIBUTION. FIRMS INVOLVED ARE TEXAS
INSTRUMENTS AND TEXACO, ESSO, AND CHEVRON RESPECTIVELY.
OPIC HAS A TOTAL OF ABOUT \$15 MILLION IN OUTSTANDING
INSURANCE AGAINST INCONVERTIBILITY AND EXPROPRIATION.
US ECONOMIC ASSISTANCE TO EL SALVADOR IN FY 1977 CONSISTED
OF APPROXIMATELY \$7.0 MILLION IN LOANS AND GRANTS, MAINLY
IN FIELDS OF POPULATION AND HEALTH, AGRICULTURE AND EDUCATION.

8. IFI AND BILATERAL ASSISTANCE.

FOLLOWING ARE OUTSTANDING LOAN TOTALS FROM IFFI'S AND THIRD
COUNTRIES (MILLIONS OF DOLLARS):

IBRD 104.5

IDB 156.8

IDA 21.0

GERMANY 2.6

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CABEI 43.0

SUPPLIERS CREDITS 23.7

RECENT IFI LOANS ARE AS FOLLOWS:

1/76 IDB \$15 MILLION AGRICULTURAL CREDIT

8/7H IDB \$10 MILLION RURAL ROADS

1977 IDB \$5.3 MILLION FISHERIES DEVELOPMENT

1977 IBRD \$12.7 MILLION URBAN DEVELOPMENT

9. GOES DEVELOPMENT POLICY.

GOVERNMENT EXPENDITURES ON EDUCATION, SOCIAL SERVICES

AND DEFENSE IN 1976 WERE AS FOLLOWS:(PERCENT)

EDUCATION 23.4

HEALTH AND WELFARE 12.9

DEFENSE, PUBLIC SECURITY 5.3

GOVERNMENT EXPENDITURES FOR EDUCATION AND PUBLIC HEALTH AND WELFARE ARE UNDERSTATED BY THESE FIGURES, WHICH REFLECT ONLY EXPENDITURES OF MINISTRIES DIRECTLY CONCERNED AND DO NOT INCLUDE BUDGET ITEMS FOR OTHER MINISTRIES WHICH PROVIDE RELATED SERVICES.

ROMERO ADMINISTRATION POLICY NOT YET FULLY DEVELOPED BUT IN AREA OF DEVELOPMENT POLICY IS EXPECTED TO BE ESSENTIALLY CONTINUATION OF MOLINA POLICIES. 1977-82 FIVE YEAR PLAN NOW UNDER DISCUSSION AND EXPECTED TO BE MADE FULLY PUBLIC BY END OF YEAR.THERE WILL BE HEAVY EMPHASIS ON PUBLIC WORKS - HIGHWAY CONSTRUCTION, THE SAN LORENZO DAM, THE CUZCATLAN INTERNATIONAL AIRPORT, HOSPITAL AND HEALTH INFRASTRUCTURE, AD PORT DEVELOPMENT. IN AGRICULTURE, ROMERO ADMINISTRATION WILL PROBABLY CONTINUE EFFORT TO MAKE EL SALVADOR SELF-SUFFICIENT IN BASIC GRAINS. IN EDUCATION, EMPHASIS WILL BE ON IMPROVING EDUCATIONAL

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SERVICES IN RURAL AREAS AND IN PROVISION OF VOCATIONAL TRAINING TO YOUTH AND ADULTS BOTH INSIDE AND OUTSIDE THE SCHOOL SYSTEM. IN HEALTH AND POPULATION AREA WE ANTICIPATE STRONG EMPHASIS ON IMPROVING DELIVERY OF HEALTH SERVICES IN RURAL AREA AND CONTINUATION OF POPULATION POLICY, PARTICULARLY IF VICE-PRESIDENT ASTACIO, WHO WAS MINISTER OF HEALTH UNDER MOLINA, EMERGES AS STRONG FIGURE IN CABINET. GIVEN LEVEL OF ACTIVITY IN POPULATION PROGRAM AND ASSUMING CONTINUED HEAVY EMIGRATION, POPULATION GROWTH

RATE OF 2 PERCENT COULD BE ACHIEVED WITHIN FIVE YEARS.

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Message Attributes

Automatic Decaptioning: X
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